

**ALTA COMMUNITY SCHOOL DISTRICT
ALTA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

YEAR ENDED JUNE 30, 2005

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Alta Community School District
Alta, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2004 Election)

Wesley Holmes	President	2004
Richard Marshall	Vice President	2005
Valerie Rosenthal	Board Member	2005
Warren Larson	Board Member	2006
Suzette Radke	Board Member	2006

Board of Education

(After September 2004 Election)

Valarie Rosenthal	President	2007
Richard Marshall	Vice President	2005
Warren Larson	Board Member	2006
Suzette Radke	Board Member	2006
Ila Galvin	Board Member	2007

School Officials

Dr. Fred Maharry	Superintendent	2005
Angela Meyer	District Secretary/Treasurer and Business Manager	2005
Gruhn Law Firm	Attorney	Indefinite

Independent Auditor's Report

To the Board of Education of
Alta Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alta Community School District, Alta, Iowa, as of and for the year ended June 30, 2005, which along with the discretely presented component unit, collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The financial statements of Alta Community Educational Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the District's basic financial statements. Alta Community Educational Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net assets, revenues and expenses, of the District's aggregate discretely presented component units.

Because Alta Community Educational Foundation financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component unit of the Alta Community School District, as of and for the year ended June 30, 2005.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alta Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2005 on our consideration of Alta Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alta Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

August 26, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alta Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,105,540 in fiscal 2004 to \$4,401,684 in fiscal 2005, while General Fund expenditures increased from \$4,502,725 in fiscal 2004 to \$4,509,716 in fiscal 2005. The District's General Fund balance decreased from \$523,281 in fiscal 2004 to \$415,310 in fiscal 2005, a 21% decrease.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Alta Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Alta Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alta Community School District acts solely as an agent or custodian for the benefit of those outside of school government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 3,081	2,854	59	68	3,140	2,922	7.4%
Capital assets	4,124	3,978	22	27	4,146	4,005	3.5%
Total assets	7,205	6,832	81	95	7,286	6,927	5.2%
Long-term liabilities	3,231	3,269	---	---	3,231	3,269	-1.2%
Other liabilities	2,317	2,290	---	---	2,317	2,290	1.2%
Total liabilities	5,548	5,559	---	---	5,548	5,559	.2%
Net assets:							
Invested in capital assets, net of related debt	893	723	22	27	915	750	22.0%
Restricted	30	18	---	---	30	18	66.7%
Unrestricted	734	532	59	68	793	600	32.2%
Total net assets	\$ 1,657	1,273	81	95	1,738	1,368	27.0%

Figure A-4 shows the change in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 329	317	87	89	416	406
Operating grants, contributions and restricted interest	596	512	129	120	725	632
Capital grants, contributions and restricted interest	25	14	---	---	25	14
General revenues:						
Property tax	1,684	1,866	---	---	1,684	1,866
Local option sales and service tax	293	---	---	---	293	---
Income surtax	121	219	---	---	121	219
Unrestricted state grants	2,117	1,822	---	---	2,117	1,822
Unrestricted investment earnings	6	11	---	---	6	11
Other	182	81	---	---	182	81
Total revenues	5,353	4,842	216	209	5,569	5,051
Program expenses:						
Governmental activities:						
Instruction	3,244	3,110	---	---	3,244	3,110
Support services	1,352	1,438	---	---	1,352	1,438
Non-instructional programs	4	25	230	199	234	224
Other expenses	467	451	---	---	467	451
Total expenses	5,067	5,024	230	199	5,297	5,223
Change in net assets	\$ 286	(182)	(14)	10	272	(172)

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,353,059 and expenses were \$5,066,949.

Business Type Activities

Revenues for business type activities were \$216,689 and expenses were \$230,725. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Alta Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$681,045 above last year's ending fund balances of \$474,573.

Governmental Fund Highlights

- The General Fund balance decreased from \$523,281 to \$415,310.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit of \$8,179 in fiscal 2004 to a surplus of \$7,549 in fiscal 2005. While revenues decreased due to no collection of property taxes, the District substantially reduced spending from the PPEL Fund in order to reduce the prior year deficit and improve the financial condition of the fund.
- The Capital Projects Fund balance increased from a deficit of \$48,963 in fiscal 2004 to a surplus of \$244,576 in fiscal 2005 due to the collection of local option sales and services tax.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$94,761 at June 30, 2004 to \$80,725 at June 30, 2005, representing a decrease of approximately 15%. The decrease was largely due to the increase in benefits paid by the nutrition fund rather than the general fund in fiscal year ended June 30, 2005.

BUDGETARY HIGHLIGHTS

Over the course of the year, Alta Community School District amended its annual budget one time to reflect additional expenditures associated with instruction.

The District's receipts were \$433,263 more than budgeted receipts, a variance of 8%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. However, the certified budget was exceeded in the non-instructional functional area. This was due to nutrition fund expenditures not being included under the non-instructional functional area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$171,882.

The original cost of the District's capital assets was \$6.3 million. Governmental funds account for \$6.2 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the purchase of land.

Long-Term Debt

At June 30, 2005, the District had \$3,230,963 in general obligation, and other long-term debt outstanding. This represents a decrease of approximately 1.2% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Buena Vista County has advised the District that the District's total taxable valuation will be very similar to property taxes collected in fiscal 2005. The wind towers in the District have added significantly to property values and helped reduce property taxes.
- The District experienced a decline in enrollment again, and staffing expenditures should be addressed due to less revenue.
- Fiscal 2005 was another year in which a one-year agreement was reached with the Alta Education Association. The District will negotiate a new agreement during fiscal 2006. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Meyer, District Secretary/Treasurer and Business Manager, Alta Community School District, 101 W. 5th Street, Alta, Iowa, 51002.

Basic Financial Statements

Alta Community School District
Alta, Iowa

Exhibit A

Statement of Net Assets

June 30, 2005

	Primary Government			Component
	Governmental	Business Type		Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Educational</u> <u>Foundation</u>
Assets				
Cash and cash equivalents and pooled investments	\$ 1,117,289	68,735	1,186,024	242,222
Receivables:				
Property tax:				
Delinquent	18,559	-	18,559	-
Succeeding year	1,726,000	-	1,726,000	-
Accounts	1,628	-	1,628	-
Due from other governments	203,299	-	203,299	-
Due from other funds	14,325	(14,325)	-	-
Inventories	-	4,237	4,237	-
Capital assets, net of accumulated depreciation	<u>4,123,536</u>	<u>22,078</u>	<u>4,145,614</u>	<u>-</u>
Total assets	<u>7,204,636</u>	<u>80,725</u>	<u>7,285,361</u>	<u>242,222</u>
Liabilities				
Excess of warrants issued over bank balance	38,611	-	38,611	-
Accounts payable	110,267	-	110,267	-
Salaries and benefits payable	405,216	-	405,216	-
Early retirement payable	11,891	-	11,891	-
Accrued interest payable	24,976	-	24,976	-
Deferred revenue - succeeding year property tax	1,726,000	-	1,726,000	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	130,000	-	130,000	-
Early retirement payable	643	-	643	-
Note payable	20,640	-	20,640	-
Portion due after one year:				
General obligation bonds payable	3,000,000	-	3,000,000	-
Early retirement payable	-	-	-	-
Note payable	<u>79,680</u>	<u>-</u>	<u>79,680</u>	<u>-</u>
Total liabilities	<u>5,547,924</u>	<u>-</u>	<u>5,547,924</u>	<u>-</u>

(continued)

Alta Community School District
Alta, Iowa

Exhibit A

Statement of Net Assets

June 30, 2005

	Primary Government			Component
	Governmental	Business Type		Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Educational</u> <u>Foundation</u>
Net assets				
Invested in capital assets, net of related debt	1,023,216	22,078	1,045,294	-
Restricted for:				
Management levy	(49,642)	-	(49,642)	-
Physical plant and equipment levy	53,549	-	53,549	-
Other special revenue purposes	26,271	-	26,271	-
Foundation purposes	-	-	-	242,222
Unrestricted	<u>603,318</u>	<u>58,647</u>	<u>661,965</u>	<u>-</u>
Total net assets	<u><u>\$ 1,656,712</u></u>	<u><u>80,725</u></u>	<u><u>1,737,437</u></u>	<u><u>242,222</u></u>

See notes to financial statements.

Alta Community School District
Alta, Iowa
Statement of Activities
Year ended June 30, 2005

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted	Capital Grants, Contributions and Restricted
	<u>Expenses</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>
<u>Functions/Programs:</u>				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,208,423	144,489	239,609	-
Special instruction	463,435	23,057	167,373	-
Other instruction	518,180	161,523	5,000	-
	<u>3,190,038</u>	<u>329,069</u>	<u>411,982</u>	<u>-</u>
Support services:				
Student services	114,615	-	3,034	-
Instructional staff services	129,356	-	2,600	-
Administration services	515,518	-	-	-
Operation and maintenance of plant services	426,546	-	-	25,000
Transportation services	165,805	-	4,758	-
	<u>1,351,840</u>	<u>-</u>	<u>10,392</u>	<u>25,000</u>
Non-instructional programs	<u>57,602</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	50,716	-	-	-
Long-term debt interest	154,422	-	-	-
AEA flowthrough	178,475	-	178,475	-
Depreciation (unallocated)*	83,856	-	-	-
	<u>467,469</u>	<u>-</u>	<u>178,475</u>	<u>-</u>
Total governmental activities	<u>5,066,949</u>	<u>329,069</u>	<u>600,849</u>	<u>25,000</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>230,725</u>	<u>86,923</u>	<u>129,057</u>	<u>-</u>
Total primary government	<u>\$ 5,297,674</u>	<u>415,992</u>	<u>729,906</u>	<u>25,000</u>
Component Unit:				
Educational Foundation	<u>\$ 82,282</u>	<u>-</u>	<u>15,995</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Income surtax				
Local option sales tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Educational Foundation
(1,824,325)	-	(1,824,325)	-
(273,005)	-	(273,005)	-
(351,657)	-	(351,657)	-
(2,448,987)	-	(2,448,987)	-
(111,581)	-	(111,581)	-
(126,756)	-	(126,756)	-
(515,518)	-	(515,518)	-
(401,546)	-	(401,546)	-
(161,047)	-	(161,047)	-
(1,316,448)	-	(1,316,448)	-
(57,602)	-	(57,602)	-
(50,716)	-	(50,716)	-
(154,422)	-	(154,422)	-
-	-	-	-
(83,856)	-	(83,856)	-
(288,994)	-	(288,994)	-
(4,112,031)	-	(4,112,031)	-
-	(14,745)	(14,745)	-
(4,112,031)	(14,745)	(4,126,776)	-
-	-	-	(66,287)
\$ 1,403,270	-	1,403,270	-
281,190	-	281,190	-
117,290	-	117,290	-
293,097	-	293,097	-
2,116,915	-	2,116,915	-
5,361	305	5,666	3,147
181,018	404	181,422	-
4,398,141	709	4,398,850	3,147
286,110	(14,036)	272,074	(63,140)
1,370,602	94,761	1,465,363	305,362
\$ 1,656,712	80,725	1,737,437	242,222

Alta Community School District
Alta, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 846,151	36,277	202,077	32,784	1,117,289
Receivables:					
Property tax:					
Delinquent	14,657	3,042	-	860	18,559
Succeeding year	1,415,000	145,000	-	166,000	1,726,000
Accounts	592	-	-	1,036	1,628
Due from other funds	14,325	-	-	-	14,325
Due from other governments	146,361	-	56,938	-	203,299
Total assets	<u>\$ 2,437,086</u>	<u>184,319</u>	<u>259,015</u>	<u>200,680</u>	<u>3,081,100</u>
Liabilities and Fund Balances					
Liabilities:					
Excess of warrants issued over					
bank balance	\$ -	-	-	38,611	38,611
Accounts payable	93,490	-	14,439	2,338	110,267
Salaries and benefits payable	405,216	-	-	-	405,216
Due to other funds	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	1,415,000	145,000	-	166,000	1,726,000
Other	108,070	-	-	-	108,070
Early retirement payable	-	-	-	11,891	11,891
Total liabilities	<u>2,021,776</u>	<u>145,000</u>	<u>14,439</u>	<u>218,840</u>	<u>2,400,055</u>
Fund balances:					
Reserved for Phase III	-	-	-	-	-
Reserved for debt service	-	39,319	-	-	39,319
Reserved for Iowa Early Intervention					
Block Grant	11,415	-	-	-	11,415
Unreserved	403,895	-	244,576	(18,160)	630,311
Total fund balances	<u>415,310</u>	<u>39,319</u>	<u>244,576</u>	<u>(18,160)</u>	<u>681,045</u>
Total liabilities and fund balances	<u>\$ 2,437,086</u>	<u>184,319</u>	<u>259,015</u>	<u>200,680</u>	<u>3,081,100</u>

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (page 17)	\$ 681,045
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*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,123,536
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	108,070
---	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(24,976)
--	----------

Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,230,963)</u>
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Net assets of governmental activities (page 14)	<u><u>\$ 1,656,712</u></u>
--	-----------------------------------

See notes to financial statements.

Alta Community School District

Exhibit E

Alta, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,452,422	280,997	293,096	77,738	2,104,253
Tuition	156,758	-	-	-	156,758
Other	77,811	37,522	75,002	168,294	358,629
State sources	2,463,250	194	-	55	2,463,499
Federal sources	251,443	-	-	25,000	276,443
Total revenues	<u>4,401,684</u>	<u>318,713</u>	<u>368,098</u>	<u>271,087</u>	<u>5,359,582</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,162,034	-	-	62,256	2,224,290
Special instruction	463,435	-	-	-	463,435
Other instruction	356,331	-	-	161,849	518,180
	<u>2,981,800</u>	<u>-</u>	<u>-</u>	<u>224,105</u>	<u>3,205,905</u>
Support services:					
Student services	112,240	-	-	-	112,240
Instructional staff services	129,356	-	-	-	129,356
Administration services	515,518	-	-	-	515,518
Operation and maintenance of plant services	402,516	-	-	40,956	443,472
Transportation services	132,209	-	-	8,205	140,414
	<u>1,291,839</u>	<u>-</u>	<u>-</u>	<u>49,161</u>	<u>1,341,000</u>
Non-instructional programs	<u>57,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,602</u>
Other expenditures:					
Facilities acquisition	-	-	49,029	15,375	64,404
Long-term debt:					
Principal	-	150,530	-	-	150,530
Interest and fiscal charges	-	155,255	-	-	155,255
AEA flowthrough	178,475	-	-	-	178,475
	<u>178,475</u>	<u>305,785</u>	<u>49,029</u>	<u>15,375</u>	<u>548,664</u>
Total expenditures	<u>4,509,716</u>	<u>305,785</u>	<u>49,029</u>	<u>288,641</u>	<u>5,153,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(108,032)</u>	<u>12,928</u>	<u>319,069</u>	<u>(17,554)</u>	<u>206,411</u>
Other financing sources:					
Transfers in	-	25,530	-	-	25,530
Transfers out	-	-	(25,530)	-	(25,530)
Sale of supplies	61	-	-	-	61
Total other financing sources	<u>61</u>	<u>25,530</u>	<u>(25,530)</u>	<u>-</u>	<u>61</u>
Net change in fund balances	<u>(107,971)</u>	<u>38,458</u>	<u>293,539</u>	<u>(17,554)</u>	<u>206,472</u>
Fund balances beginning of year	<u>523,281</u>	<u>861</u>	<u>(48,963)</u>	<u>(606)</u>	<u>474,573</u>
Fund balances end of year	<u>\$ 415,310</u>	<u>39,319</u>	<u>244,576</u>	<u>(18,160)</u>	<u>681,045</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (page 19) **\$ 206,472**

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 89,210	
Depreciation expense	<u>(167,434)</u>	(78,224)

Certain unspent grant proceeds and income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (6,584)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

Repaid long-term liabilities	150,530
Early retirement	13,083

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

833

Change in net assets of governmental activities (page 16) **\$ 286,110**

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2005

School
Nutrition

Assets

Cash and cash equivalents	\$ 68,735
Inventories	4,237
Capital assets, net of accumulated depreciation	<u>22,078</u>
Total assets	<u>95,050</u>

Liabilities

Due to other funds	<u>14,325</u>
Total liabilities	<u>14,325</u>

Net Assets

Invested in capital assets, net of related debt	22,078
Unrestricted	<u>58,647</u>
Total net assets	<u><u>\$ 80,725</u></u>

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 86,923
Miscellaneous	404
Total operating revenues	<u>87,327</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	89,989
Benefits	32,618
Purchased services	4,204
Supplies	98,640
Depreciation	4,448
Other	826
Total operating expenses	<u>230,725</u>
Operating loss	<u>(143,398)</u>
Non-operating revenues:	
State sources	3,389
Federal sources	125,668
Interest income	305
Total non-operating revenues	<u>129,362</u>
Change in net assets	(14,036)
Net assets beginning of year	<u>94,761</u>
Net assets end of year	<u>\$ 80,725</u>
See notes to financial statements.	

Alta Community School District
Alta, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 86,923
Cash received from miscellaneous operating activities	404
Cash paid to employees for services	(137,454)
Cash paid to suppliers for goods or services	<u>(72,633)</u>
Net cash used by operating activities	<u>(122,760)</u>
Cash flows from non-capital financing activities:	
State grants received	3,389
Federal grants received	<u>98,879</u>
Net cash provided by non-capital financing activities	<u>102,268</u>
Cash flows from investing activities:	
Interest on investments	<u>305</u>
Net increase in cash and cash equivalents	(20,187)
Cash and cash equivalents beginning of year	<u>88,922</u>
Cash and cash equivalents end of year	<u><u>\$ 68,735</u></u>

(continued)

Alta Community School District
Alta, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

School
Nutrition

**Reconciliation of operating loss to net cash used by
operating activities:**

Operating loss	\$ (143,398)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,789
Depreciation	4,448
Decrease in inventories	3,397
Decrease in prepaid expenses	851
(Decrease) in due to other funds	(14,847)
Net cash used by operating activities	<u>\$ (122,760)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$26,789
of federal commodities.

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

Agency

Assets

Cash and pooled investments	\$ 6,858
Other receivables	<u>2,219</u>

Total assets	<u>9,077</u>
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Liabilities

Other	<u>9,077</u>
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Total liabilities	<u>9,077</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Alta Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Alta, Iowa, and the predominate agricultural territory in Buena Vista, Cherokee and Sac counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Alta Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

These financial statements present the Alta Community School District and its component unit. Its component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

Discretely Presented Component Unit – The Alta Community Educational Foundation

is a separate nonprofit organization whose purpose is to raise funds for the library, technology and music programs of the District. The records are maintained on the basis of cash and receipts and disbursements, with December 31 as its year end. The Alta Community Educational Foundation meets the definition of a component unit which should be discretely presented. The Foundation's financial statements have not been audited and we do not express an opinion on them.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	Estimated Useful Lives (In Years)
Buildings	50 Years
Improvements other than buildings	20 Years
Furniture and equipment	5-12 Years

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. An accrual for earned but unused sick leave is not recorded in these financial statements because sick leave can only be used for time off for illness.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instructional programs functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 100 ===

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, School Nutrition	\$ 14,325
		=====

The School Nutrition Fund is repaying the General Fund for wages for the cooks that did not get reimbursed back to the General Fund by June 30, 2005.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>25,530</u>
Total		\$ 25,530
		=====

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year, as restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 28,140	125,850	---	153,990
Construction in progress	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total capital assets not being depreciated	<u>28,140</u>	<u>125,850</u>	<u>---</u>	<u>153,990</u>
Capital assets being depreciated:				
Buildings	4,415,400	24,744	---	4,440,144
Improvements other than buildings	319,805	---	---	319,805
Furniture and equipment	<u>1,376,196</u>	<u>64,466</u>	<u>---</u>	<u>1,440,662</u>
Total capital assets being depreciated	<u>6,111,401</u>	<u>89,210</u>	<u>---</u>	<u>6,200,611</u>
Less accumulated depreciation for:				
Buildings	727,952	83,856	---	811,808
Improvements other than buildings	225,913	9,906	---	235,819
Furniture and equipment	<u>1,109,766</u>	<u>73,672</u>	<u>---</u>	<u>1,183,438</u>
Total accumulated depreciation	<u>2,063,631</u>	<u>167,434</u>	<u>---</u>	<u>2,231,065</u>
Total capital assets being depreciated, net	<u>4,047,770</u>	<u>(78,224)</u>	<u>---</u>	<u>3,969,546</u>
Governmental activities capital assets, net	<u>\$ 4,075,910</u>	<u>47,626</u>	<u>---</u>	<u>4,123,536</u>

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 53,385	---	---	53,385
Less accumulated depreciation	<u>26,859</u>	<u>4,448</u>	<u>---</u>	<u>31,307</u>
Business type activities capital assets, net	<u>\$ 26,526</u>	<u>(4,448)</u>	<u>---</u>	<u>22,078</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 45,906

Support services:

Administration 2,375

Operation and maintenance of plant 9,906

Transportation 25,391

83,578

Unallocated

83,856

Total depreciation expense – governmental activities

\$ 167,434

Business type activities:

Food service operations \$ 4,448

=====

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Real estate contract	\$ ---	125,850	25,530	100,320	20,640
General obligation bonds	3,255,000	---	125,000	3,130,000	130,000
Early retirement	<u>13,726</u>	<u>---</u>	<u>13,083</u>	<u>643</u>	<u>643</u>
Total	<u>\$ 3,268,726</u>	<u>125,850</u>	<u>163,613</u>	<u>3,230,963</u>	<u>151,283</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee are computed on a per diem basis according to the employee's current salary less additional pay. Early retirement expenditures for the year ended June 30, 2005 totaled \$17,743.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	Bond Issue of May 1, 2002			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	5.25%	\$ 130,000	\$ 149,855	\$ 279,855
2007	5.50	140,000	143,030	283,030
2008	5.50	145,000	135,330	280,330
2009	5.40	155,000	127,355	282,355
2010	4.15	160,000	118,986	278,986
2011-2015	4.25-4.65	935,000	483,997	1,418,997
2016-2021	4.70-4.90	<u>1,465,000</u>	<u>259,090</u>	<u>1,724,090</u>
Total		<u>\$ 3,130,000</u>	<u>\$ 1,417,643</u>	<u>\$ 4,547,643</u>

Real Estate Contract Payable

During the year ended June 30, 2005, the District entered into a contract for the purchase of land. The note bears interest at 0% and is payable from the Capital Projects, Local Option Sales Tax Fund. Details of the District's indebtedness under the contract at June 30, 2005 is as follows:

Year Ending <u>June 30,</u>	<u>Real Estate Contract</u> <u>Principal</u>
2006	\$ 20,640
2007	20,352
2008	20,064
2009	19,776
2010	<u>19,488</u>
Total	<u>\$ 100,320</u>

During the year ended June 30, 2005, the District made principal payments totaling \$25,530 under the real estate contract.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$153,553, \$147,140 and \$141,868 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association, (ISEBA)

an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit

recoveries of current members is estimated to be \$2.2 million. The District's share of this assessment was \$14,600, of which \$7,000 was paid with the 2004-2005 premiums and \$7,600 is a liability as of June 30, 2005 and will be paid with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$387,284.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The District exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$178,475 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

(10) Restatement of Beginning Balances

The government-wide financial statements report the District's governmental and business type activities. Beginning net assets for governmental activities has been restated to include capital assets at July 1, 2004 previously not recorded.

Primary Government:

Governmental activities:	<u>Total</u>
Net assets, June 30, 2004, as previously reported	\$ 1,272,842
Capital assets, net of accumulated depreciation	<u>97,760</u>
Net assets July 1, 2004, as restated	\$ 1,370,602 =====

(11) Deficit Fund Balance

The Special Revenue, Management Levy Fund had a deficit fund balance of \$49,642 at June 30, 2005. The deficit will be eliminated by the receipt of property tax in future years. The deficit in the Management Levy Fund was due to expenditures for early retirement in anticipation of future tax levies.

(12) Operating Leases

The District entered into an operating lease with Star Leasing Inc. for the rental of a digital copier on July 25, 2002 for a period of 36 months. The amount paid for the fiscal year ended June 30, 2005 was \$86. The lease was terminated in July 2004.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2005

The District entered into an operating lease with Star Leasing Inc. for the rental of two copiers on June 26, 2003 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2005 was \$11,361. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2006	\$ 11,361
2007	11,361
2008	11,361
2009	<u>1,892</u>
Total	\$ 35,975 =====

The District entered into an operating lease with Star Leasing, Inc. for the rental of a copier on June 25, 2004 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2005 was \$3,431. Future rental are scheduled as follows:

Year Ending <u>June 30,</u>	
2006	\$ 3,431
2007	3,431
2008	3,431
2009	<u>3,145</u>
Total	\$ 13,438 =====

(13) Subsequent Event

On July 11, 2005 an agreement was made between the District and the Alta Community Educational Foundation whereby the Foundation agreed to loan one-half of the money for the purchase of laptop computers. The District agreed to reimburse this 0% interest loan of \$21,385 with payments of \$10,693 and \$10,692 on June 1, 2006 and June 1, 2007 respectively.

Required Supplementary Information

Alta Community School District
Alta, Iowa

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balance -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 2,609,101	87,632
State sources	2,464,500	3,389
Federal sources	<u>289,895</u>	<u>98,879</u>
Total receipts	<u>5,363,496</u>	<u>189,900</u>
Disbursements:		
Instruction	3,140,300	-
Support services	1,372,006	-
Non-instructional programs	43,706	210,087
Other expenditures	<u>552,866</u>	<u>-</u>
Total disbursements	<u>5,108,878</u>	<u>210,087</u>
Excess (deficiency) of receipts over (under) disbursements	254,618	(20,187)
Other financing sources	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	254,618	(20,187)
Balances beginning of year	<u>824,061</u>	<u>88,922</u>
Balances end of year	<u>\$ 1,078,679</u>	<u>68,735</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
2,696,733	2,468,218	2,468,218	228,515
2,467,889	2,478,394	2,478,394	(10,505)
<u>388,774</u>	<u>192,000</u>	<u>192,000</u>	<u>196,774</u>
<u>5,553,396</u>	<u>5,138,612</u>	<u>5,138,612</u>	<u>414,784</u>
3,140,300	2,943,709	3,343,709	(203,409)
1,372,006	1,582,537	1,582,537	(210,531)
253,793	51,000	51,000	202,793
<u>552,866</u>	<u>567,912</u>	<u>567,912</u>	<u>(15,046)</u>
<u>5,318,965</u>	<u>5,145,158</u>	<u>5,545,158</u>	<u>226,193</u>
234,431	(6,546)	(406,546)	
<u>-</u>	<u>1,450</u>	<u>1,450</u>	
234,431	(5,096)	(405,096)	
<u>912,983</u>	<u>1,207,872</u>	<u>1,207,872</u>	
<u>1,147,414</u>	<u>1,202,776</u>	<u>802,776</u>	

Alta Community School District
Alta, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information
Year ended June 30, 2005

	Governmental Funds		
	Cash <u>Basis</u>	Accrual Adjust- ments	Modified Accrual <u>Basis</u>
Revenues	\$ 5,363,496	(3,914)	5,359,582
Expenditures	<u>5,108,878</u>	<u>44,293</u>	<u>5,153,171</u>
Net	254,618	(48,207)	206,411
Other financing sources, net	-	61	61
Beginning fund balances	<u>824,061</u>	<u>(349,488)</u>	<u>474,573</u>
Ending fund balances	<u>\$ 1,078,679</u>	<u>(397,634)</u>	<u>681,045</u>

	Proprietary Fund		
	Enterprise		
	Cash <u>Basis</u>	Accrual Adjust- ments	Accrual <u>Basis</u>
Revenues	\$ 189,900	26,789	216,689
Expenses	<u>210,087</u>	<u>20,638</u>	<u>230,725</u>
Net	(20,187)	6,151	(14,036)
Beginning net assets	<u>88,922</u>	<u>5,839</u>	<u>94,761</u>
Ending net assets	<u>\$ 68,735</u>	<u>11,990</u>	<u>80,725</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$400,000.

During the year ended June 30, 2005, disbursements in the non-instructional programs function exceeded the amount budgeted.

Other Supplementary Information

Alta Community School District
Alta, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2005

	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ -	25,235	7,549	32,784
Receivables:				
Property tax:				
Delinquent	860	-	-	860
Succeeding year	120,000	-	46,000	166,000
Other	<u>-</u>	<u>1,036</u>	<u>-</u>	<u>1,036</u>
Total assets	<u><u>\$ 120,860</u></u>	<u><u>26,271</u></u>	<u><u>53,549</u></u>	<u><u>200,680</u></u>
Liabilities and Fund Equity				
Liabilities:				
Excess of warrants issued over bank balance	\$ 38,611	-	-	38,611
Accounts payable	-	2,338	-	2,338
Deferred revenue:				
Succeeding year property tax	120,000	-	46,000	166,000
Early retirement payable	<u>11,891</u>	<u>-</u>	<u>-</u>	<u>11,891</u>
Total liabilities	170,502	2,338	46,000	218,840
Fund equity:				
Unreserved fund balances	<u>(49,642)</u>	<u>23,933</u>	<u>7,549</u>	<u>(18,160)</u>
Total liabilities and fund equity	<u><u>\$ 120,860</u></u>	<u><u>26,271</u></u>	<u><u>53,549</u></u>	<u><u>200,680</u></u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Mange- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 77,738	-	-	77,738
Other	668	161,523	6,103	168,294
State sources	55	-	-	55
Federal sources	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total revenues	<u>78,461</u>	<u>161,523</u>	<u>31,103</u>	<u>271,087</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	62,256	-	-	62,256
Other instruction	-	161,849	-	161,849
Support services:				
Operation and maintenance of plant services	40,956	-	-	40,956
Transportation services	8,205	-	-	8,205
Other expenditures:				
Facilities acquisition	<u>-</u>	<u>-</u>	<u>15,375</u>	<u>15,375</u>
Total expenditures	<u>111,417</u>	<u>161,849</u>	<u>15,375</u>	<u>288,641</u>
Excess (deficiency) of revenues over (under) expenditures	(32,956)	(326)	15,728	(17,554)
Fund balances beginning of year	<u>(16,686)</u>	<u>24,259</u>	<u>(8,179)</u>	<u>(606)</u>
Fund balances end of year	<u>\$ (49,642)</u>	<u>23,933</u>	<u>7,549</u>	<u>(18,160)</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intra- Fund Transfers	Balance End of Year
After School Program	\$ 5,451	8,761	5,956	-	8,256
Athletics	7,900	35,131	46,581	200	(3,350)
Ball Field	4,870	7,728	1,643	-	10,955
Baseball	(2,374)	4,025	1,225	-	426
Book Fair	771	1,606	2,211	-	166
Boys Basketball	172	2,522	3,826	(100)	(1,232)
Cheerleaders	277	949	1,191	-	35
Class of 2004	(273)	777	-	-	504
Class of 2005	250	7,506	7,303	-	453
Class of 2006	256	8,742	8,365	-	633
Class of 2007	101	129	31	-	199
Class of 2008	-	123	50	-	73
Grades 5 and 6	26	715	721	(13)	7
Danceline	1,812	2,638	2,482	-	1,968
Drama	(30)	2,779	2,483	-	266
Elem Computer	(54)	-	-	-	(54)
Elem Memory Book	1,140	350	369	(902)	219
FCA	49	948	996	-	1
FFA	328	10,073	8,691	-	1,710
FHA	355	756	289	-	822
Football	167	1,860	1,999	-	28
Interest	5,729	4,507	4,378	-	5,858
Girls Basketball	2,406	1,758	3,341	(100)	723
Middle School	79	503	503	13	92
Middle School Band	870	2,366	1,798	-	1,438
High School Band	(640)	535	434	-	(539)
P.I.E.	62	-	-	-	62
MS Fundraiser	-	22,361	23,113	902	150
Softball	170	103	309	-	(36)
Spanish	-	1,294	1,294	-	-
Speech Club	229	5,002	5,258	-	(27)
Student Council	7,917	10,068	10,957	-	7,028
Vocal Music	(114)	-	-	-	(114)
Volleyball	2,319	7,967	7,998	-	2,288
Scholarship Fund	-	185	-	-	185
Yearbook	(16,102)	6,756	6,054	-	(15,400)
Girls Track	-	-	-	-	-
Elem Activity	140	-	-	-	140
Total	<u>\$ 24,259</u>	<u>161,523</u>	<u>161,849</u>	<u>-</u>	<u>23,933</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 6,775	69,215	69,132	6,858
Other receivables	<u>702</u>	<u>2,219</u>	<u>702</u>	<u>2,219</u>
Total assets	<u>\$ 7,477</u>	<u>71,434</u>	<u>69,834</u>	<u>9,077</u>
Liabilities				
Other payables	<u>\$ 7,477</u>	<u>71,434</u>	<u>69,834</u>	<u>9,077</u>
Total liabilities	<u>\$ 7,477</u>	<u>71,434</u>	<u>69,834</u>	<u>9,077</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 5

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Three Years

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:			
Local sources:			
Local tax	\$ 2,104,253	1,973,554	1,857,856
Tuition	156,758	159,890	197,376
Other	358,629	248,432	225,875
State sources	2,463,499	2,173,608	2,202,054
Federal sources	<u>276,443</u>	<u>170,912</u>	<u>175,036</u>
Total	<u>\$ 5,359,582</u>	<u>4,726,396</u>	<u>4,658,197</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 2,224,290	2,160,264	2,010,212
Special instruction	463,435	481,659	405,782
Other instruction	518,180	467,522	419,428
Support services:			
Student services	112,240	98,313	81,407
Instructional staff services	129,356	144,390	126,844
Administration services	515,518	507,814	437,464
Operation and maintenance of plant services	443,472	530,698	406,149
Transportation services	140,414	136,791	125,634
Non-instructional programs	57,602	25,168	38,996
Other expenditures:			
Facilities acquisition	64,404	1,116,305	2,446,180
Long-term debt:			
Principal	150,530	120,000	25,000
Interest and other charges	155,255	159,956	187,584
AEA flowthrough	<u>178,475</u>	<u>171,338</u>	<u>182,198</u>
Total	<u>\$ 5,153,171</u>	<u>6,120,218</u>	<u>6,892,878</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Alta Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alta Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alta Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the

normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alta Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Alta Community School District and other parties to whom Alta Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Alta Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

August 26, 2005

Alta Community School District
Alta, Iowa

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts journal were all done by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-05 Credit Cards- The District has credit cards for use by various employees while on District business. The District has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation- While District credit card use is minimal, the District should adopt a formal written policy regulating the use of District credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

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Response – We presently have unwritten guidelines. However, we have not established a formal written policy detailing specifics on the use of District credit cards. We will review procedures and guidelines and establish a written policy.

Conclusion- Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amount approved was exceeded during the year ended June 30, 2005.

Recommendation – The District should approve a resolution sufficient to cover anticipated deposits for all depositories.

Response – We will approve the required resolution in sufficient amounts.

Conclusion – Response accepted.

II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the amended certified budget amounts in the non-instructional programs function.

Recommendation – The certified budget should have been amended in sufficient amounts in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to insure the certified budget is not exceeded.

Conclusion – Response accepted.

II-C-05 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure the coverage is adequate for current operations.
- II-G-05 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted. We noted, however, that although the Board President had properly signed checks she was not listed as an authorized signer on the bank signature card.
- Recommendation – The Board President should be added as an authorized signer to the bank signature card.
- Response – This was an oversight this year.
- Conclusion – Response accepted.
- II-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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II-K-05 Deficit Balances - The District had a Special Revenue Fund, Management Levy deficit of \$49,642 at June 30, 2005 and a few student activities accounts had deficit balances at June 30, 2005.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return the accounts to a sound financial condition.

Response - We are monitoring these accounts.

Conclusion - Response accepted.